

Message Text

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ORIGIN NEA-10

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FM SECSTATE WASHDC

TO AMEMBASSY CAIRO PRIORITY

C O N F I D E N T I A L STATE 201582

E.O. 11652: GDS

TAGS: EFIN, BTRA, EG

SUBJECT: PROPOSED VISIT OF RICHARD DEBS

1. RICHARD DEBS INFORMS US THAT HE IS TENTATIVELY PLANNING A VISIT TO CAIRO FROM AUGUST 27 TO ABOUT SEPTEMBER 5. DEBS IS NOW PHASING OUT OF HIS OFFICIAL POSITION WITH FEDERAL RESERVE BANK IN NEW YORK IN ANTICIPATION OF ASSUMING SENIOR POSITION WITH MORGAN STANLEY. HE WOULD BE VISITING EGYPT IN A PRIVATE CAPACITY RATHER THAN AS AN OFFICIAL OF EITHER OF THOSE ORGANIZATIONS. HE HAS BEEN WORKING WITH DAVID ROCKEFELLER PURSUANT TO SADAT'S REQUEST TO ROCKEFELLER SOME MONTHS AGO TO TAKE AN ACTIVE INTEREST IN THE EGYPTIAN ECONOMIC SCENE. PURPOSE OF DEBS VISIT WOULD BE TO REVIEW SITUATION AND FIELDS OF POSSIBLE ACTION. HE WILL PRESUMABLY BE CARRYING MESSAGE FROM DAVID ROCKEFELLER TO BE PASSED TO SADAT. HE SEES TWO PRINCIPAL FIELDS OF INTEREST: SHORT-TERM LIQUIDITY CRUNCH AND LONGER-TERM INVESTMENT POLICY.

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2. DEPARTMENT HAS HAD SEVERAL RECENT DISCUSSIONS WITH

DEBS ON POSSIBILITIES OF REFINANCING EGYPTIAN COMMERCIAL BANK SHORT-TERM DEBT. OUR DISCUSSIONS WITH HIM HAVE SPECIFICALLY INCLUDED CHANCES OF REFINANCING EFFORT IN

ABSENCE OF EXTERNAL GUARANTEE SUCH AS FROM IRAN OR SAUDI ARABIA. DEBS IS VERY WELL CONNECTED THROUGHOUT THE BANKING SECTOR, AND HE WILL BE ABLE TO DISCUSS THIS MATTER WITH THE EMBASSY AS WELL AS WITH GOE IF NECESSARY.

3. BEGIN FYI: POSSIBILITIES FOR ANY SUBSTANTIAL PRIVATE REFINANCING WITHOUT STRONG EXTERNAL GUARANTEE SEEM SLIM, ALTHOUGH THERE IS CHANCE THAT A LIMITED EFFORT MIGHT BE UNDERTAKEN AGAINST EGYPTIAN COTTON SECURITY. END FYI.

4. DEBS SAYS HE HAS BEEN ASSURED BY EGYPTIAN ECON MINISTER MEGUID THAT PROPOSED VISIT DURING RAMADAN SHOULD NOT PRESENT ANY SERIOUS PROBLEM, AND MEGUID HAS BEEN URGING DEBS TO UNDERTAKE THIS TRIP. SO HAVE WE. DEPARTMENT HAS TOLD DEBS WE WOULD BE SUBMITTING THIS REPORT TO THE AMBASSADOR FOR HIS COMMENT. PLEASE LET US KNOW IF YOU SEE PROBLEMS ON TIMING OR FOR OTHER REASONS. ROBINSON

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